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NEWPORT NEWS-WILLIAMSBURG INTERNATIONAL AIRPORT

July 16, 2001

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in docket

Ms. Louise Maillett
Acting Assistant Administrator for Policy,
Planning and International Affairs
Federal Aviation Administration
800 Independence Ave. S.W.
Washington DC 20591

DEPT. OF TRANSPORTATION
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RE: Dockets No. FAA-2001-9852. - 24
FAA-2001-9854. - 19

Dear Louise:

This letter is in response to your request for comments on the policy options for managing capacity and mitigating congestion and delay at LaGuardia Airport.

In your consideration of demand management approaches, I would encourage you to consider the mandates of the Airline Deregulation Act, specifically:

“AVAILABILITY OF A VARIETY OF ADEQUATE, ECONOMIC, EFFICIENT, AND LOW-PRICE SERVICES BY AIR CARRIERS”

“MAXIMUM RELIANCE ON COMPETITIVE MARKET FORCES AND ON ACTUAL AND POTENTIAL COMPETITION”

“ENCOURAGEMENT OF AIR SERVICE AT MAJOR URBAN AREAS THROUGH SECONDARY OR SATELLITE AIRPORTS”

“PREVENTION OF UNFAIR, DECEPTIVE, PREDATORY, OR ANTICOMPETITIVE PRACTICES”

“AVOIDANCE OF UNREASONABLE INDUSTRY CONCENTRATION, EXCESSIVE MARKET DOMINATION, AND MONOPOLY POWER”

“A COMPREHENSIVE AND CONVENIENT SYSTEM OF CONTINUOUS SCHEDULED AIRLINE SERVICE FOR SMALL COMMUNITIES”

“THE ENCOURAGEMENT OF ENTRY INTO AIR TRANSPORTATION MARKETS BY NEW AIR CARRIERS”



We should also be mindful of the precedent implications that any demand management approaches at LaGuardia Airport could have on national transportation policy.

While the price mechanism is an efficient allocator of scarce resources in a free marketplace, our national air transportation system is not a free marketplace. Capacity constraints in the airspace as well as at some airports, significantly restrict supply in the air transportation marketplace.

We have recently learned a painful experience of what happens when prices are floated in a marketplace of limited supply in the California power system.

We should also be mindful that our air transportation system is not the only facet of our national transportation system that suffers from congestion and delay.

Yet, we do not, on a widespread basis, auction access to federal highways to the highest bidder nor do we, by fiat, limit the number of vehicles on our roadways to the largest or those with the wealthiest owners.

If we were to determine that size or ability to pay were the major allocators of access to our nation's highways, there would be a natural conclusion to this assumption.

There is also a reason why, in the boxing world, lightweights compete against lightweights and heavyweights compete against heavyweights.

In order to conform to the mandate of the Airline Deregulation Act, there should, therefore, be 'set-asides' for both new entrant airlines and small communities (defined as small hub and non-hub airports) in any "market-based" allocation system.

As I understand the LaGuardia allocation proposal, there is an inherent assumption that no significant capacity enhancements are foreseen which will substantially raise the slot numbers above 1296 per day or 81 per hour.

The general aviation/nonscheduled set-aside of 6 per hour seems reasonable to comply with national transportation policy mandates.

The number that remains for allocation to scheduled service, then, appears to be 1200 per day.

A small-hub/non-hub pool of 5 per hour of a total of 80 per hour, if indeed that is the number, represents around 6%. This seems low in the context of the mandates of AIR-21 with regard to access to our national transportation system for small communities. Ten percent would seem more appropriate.

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Likewise, at least 10% of the total slots should be allocated to new entrants if there is to be any significant price competition at LaGuardia. Twenty slots seem to be appropriate for critical mass for a single new entrant and an airline should not be limited to less.

Outstanding issues include the pricing mechanism and the method of allocation and reallocation.

It is a singularly bad idea to let airport operators unilaterally access a "congestion fee". This is tantamount to allowing individual communities to erect barricades along interstate highways and charge whatever fees they wish.

An auction within classes of parties (new entrants, small communities, all others) would seem more appropriate and closer to a market-based solution.

Concerning distribution of the funds collected, it seems appropriate that the funds be used at LaGuardia for "projects that increase airport capacity" or for "noise mitigation projects".

I would advise against using the funds for "creating a national/regional trust fund for capacity enhancements" for fear of consuming a lot of resources in government overhead.

I also advise against allowing the funds be used to "lease slots at LGA from airlines....in order to reduce demand". This would reduce supply, not demand, and is analogous to paying farmers not to grow crops.

Last, some reasonable phase-in of the new auction regime seems appropriate since there are properties and facilities issues in play.

I appreciate the opportunity to comment on your proposals, and I hope to see you again soon.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jim", is positioned above the typed name.

JAMES R. SMITH, A.A.E.
Executive Director